

Coconut Cultivation Board - 2011

1. Financial Statements

1:1 Qualified Opinion

In my of opinion, except for the effects of the matters described in paragraph 1.2 of the this report, the financial statements give a true and fair view of the financial position of the Coconut Cultivation Board as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1:2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

(a) Non-compliances with Sri Lanka Accounting Standards amounting to Rs.300,365,413 and accounting deficiencies amounting to Rs.82,806,449 revealed at test checks of transactions were brought to the notice of the Chairman of the Board. Those deficiencies had been adjusted in the accounts and the amended financial statements had been presented again. As such the possibility of further accounting deficiencies outside the sample cannot be ruled out.

(b) Two motor vehicles received by the Board from different projects which had being used in the operations of the Board had not been valued and brought to account.

1:2:2 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with laws, rules, regulations, etc. observed during the course of audit are given below.

Reference to Laws, Rules, and Regulations	Non-compliance
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(a) <u>Financial Regulations</u>	Accidents caused to 13 motor vehicles during the year under review had not been reported to the Auditor General
(i) Financial Regulation 104(3) and (4)	
(b) Public Administration Circular No.41/90 of 10 October 1990	Even though the fuel consumption of motor vehicles should be tested once in every 06 months, the fuel consumption of 23 motor vehicles of the Board had not been tested over a period exceeding 1 ½ years

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the working of the Board for the year under review after taking into account the recurrent and cess grants amounting to Rs.639,767,700 received from the Government, had resulted in a surplus of Rs.186,511,249 as compared with the corresponding surplus of Rs.169,219,772 after taking into account the recurrent and cess grants amounting to of Rs.662,592,042 received from the Government for that year.

2:2 Analytical Financial Review

2:2:1 Financial Results

The following observations are made

- (a) Out of the total income of the Board for the year under review, 80 per cent represented Government grants and the other income represented 20 per cent. The Government grants and the other income for the preceding year represented 91 per cent and 9 per cent respectively.
- (b) Out of the total recurrent expenditure of the Board for the year, the expenditure on subsidy and extension services represented 53 per cent and the operating expenditure represented 47 per cent.
- (c) The operating results of the Model Coconut Gardens for the year under review amounted to a net profit of Rs.95,888,041 and as compared with that the

corresponding net profit of the preceding year amounted to Rs.55,086,699. As such the increase in the profit amounted to Rs.40,801,342.

(d) The Fertilizer Unit had incurred a deficit of Rs.2,172,797 as against the surplus of Rs.3,899,933 for the preceding year.

(e) The operating result of the Kapruka Project for the year under review amounted to a surplus of Rs.10,209,457 and the corresponding surplus for the preceding year amounted to Rs.2,022,521.

2:2:2 Working Capital Management

Several significant accounting ratios for the year under review and the preceding year are given below.

	Year under Review	Preceding Year
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Current Ratio	29:1	7:1
Quick Assets Ratio	19:1	5:1

The standard current ratio of an institution should be 2:1 and the quick assets ratio should be 1:1, but the current ratio and the quick assets ratio of the Board are unusual. As such it was observed that the affairs had not been managed prudently.

3. Operating Review

3:1 Performance

The targets of each activity and the achievements for the year under review are summarized below.

3:1:1 Subsidy Payments

The Board had implemented several subsidy schemes during the year under review. The targets and the progress of the subsidy programmes as at the end of the year are summarized below.

(a) New Planting / Replanting / Under – Planting Subsidy

Even though targets had been set for new planting, replanting and under-planting of 12,500 acres of coconut, according to the progress reports of the Board 7,594 acres only had been cultivated and the physical performance thereon represented 61 per cent. Examination carried out at Regional Office Level revealed that the performance of 09 Regional Offices had been at low levels ranging from 13 per cent to 49 per cent.

The Chairman informed me that this programme was not implemented throughout the year 2011, that this programme was suspended in April 2011 for review and re-started several months later and as such the programme for fulfilling the targets of 12,500 acres was not implemented throughout the year.

(b) Rehabilitation Subsidy

The Board had targeted to supply subsidies amounting to Rs.3 million for the rehabilitation of 1,250 acres of coconut in the year under review. According to the progress reports of the Board subsidies amounting to Rs.11.5 million had been supplied to rehabilitate 1,990 acres by the end of the year. The physical progress thereof amounted to 159 per cent. The additional provision of Rs.7.5 million required for this purpose had been obtained from the provision made for the Conservation of Soil Water and Improvement of Irrigation. As such none of the targets set thereunder had not been achieved during the year under review.

(c) Kapruka Purawara Home Garden Cultivation Programme

The distribution of 133,900 coconut seedlings had been targeted under the Home Gardens Cultivation Programme and according to the progress reports of the Board, 47,850 coconut seedlings had been distributed by the end of the year. The physical performance amounted to 36 per cent. Examination at the Regional Offices Level revealed that the performance of 09 Regional Offices had been Zero while that of 04 Regional Offices had been less than 50 per cent.

The Chairman informed me that both the Divineguma Programme organized at the National Level and Kapruka Purawara Home Gardens Cultivation Subsidy are Home Gardens Cultivation Programmes. As the allocation of 2 million seedlings had to be made urgently for the Divineguma Home Gardens Cultivation Programme, the

priority was given to that Programme. As such the performance of certain Regional Offices was reduced.

(d) Kapruka and Sipnena Programme

The distribution of 300,000 coconut seedlings under this programme had been targeted and according to the progress reports of the Board 265,956 coconut seedlings had been distributed by the end of the year. The physical performance thereof amounted to 89 per cent. Examination at the Regional Offices level revealed that the Regional Office, Kalutara had indicated a performance of 48 per cent.

(e) Sambuddhatwa Jayanthi Programme

The distribution of 50,000 coconut seedlings had been targeted under this programme and according to the progress reports of the Board, 31,943 coconut seedlings had been distributed. The physical performance thereof amounted to 64 per cent. Examination at the Regional Offices Level revealed that the performance of 03 Regional Offices had ranged between 8 per cent to 42 per cent.

(f) Subsidiary Crops Cultivation Subsidy

According to the Action Plan, targets had been set to conduct 15 Awareness Programmes on Subsidiary Crops Cultivation during the year under review under the new development programmes. But none of the programmes had been conducted. The money allocated for that had been utilized to grant subsidies amounting to Rs.813,505 for 106 acres out of the 20,000 acres targeted under the Subsidiary Crops Cultivation Subsidy.

(g) Cattle Farms Subsidy

The establishment of 05 Animal Husbandry Units had been targeted under the Programme for Promotion of Animal Husbandry in Coconut Lands falling under the new programme. But none of the Animal Husbandry Units had been established. The money allocated for that had been utilized to grant subsidies amounting to Rs.1.9 million to 75 cattle farms out of the 660 new Cattle Farms targeted under the cattle Farms Subsidy.

3:1:2 Model Coconut Gardens

 The Board had maintained 10 estates as Model Coconut Gardens and 02 estates as Model Centres in the year 2011. Several data on the coconut crop of the above 10 Model Coconut Gardens and 02 Model Centres for the year 2011 as compared with the preceding year are given below.

Model Coconut Garden/Model Centres	Extent Under Cultivation	Number of bearing Trees	Coconuts Plucked	Fallen Coconuts	Annual Crop Nuts	Percentage of Fallen Coco nuts	Annual Average harvest per Tree	Crop per Acre Nuts
Nagansola	347	15,274	638,944	339,532	978,476	35	64	2,820
Randeniya	311	12,990	542,567	337,910	880,477	38	68	2,831
Lenawa	416	11,190	851,552	126,578	978,130	13	87	2,351
Bopitiya	104	4,754	206,905	120,939	327,844	37	69	3,152
Girtland	388	16,154	438,743	217,869	656,612	33	41	1,692
Korai	173	5,423	171,275	19,435	190,710	10	35	1,102
Pasikuda	47	3,001	146,221	14,188	160,409	9	23	3,420
Mahayaya	185	11,550	635,585	274,935	910,520	30	79	4,915
Daisy Valley	299	14,308	556,612	332,396	889,008	37	62	2,975
Mundalama	14	710	53,742	8,142	61,884	13	87	4,343
Kohombana	82	3,776	124,804	61,099	185,903	33	49	2,267
Palai	<u>81</u>	<u>4,548</u>	<u>100,230</u>	<u>10,381</u>	<u>110,611</u>	<u>9</u>	<u>24</u>	<u>1,366</u>
Total	<u>2,447</u>	<u>103,678</u>	<u>4,467,180</u>	<u>1,863,404</u>	<u>6,330,584</u>	<u>29</u>	<u>61</u>	<u>2,587</u>

The following observations are made.

- The total coconut crop for the year 2011 had been 6.33 million nuts and that as compared with the preceding year indicated an improvement of 6.7 per cent. But as compared with the year 2009 indicated a decrease of 11 per cent.
- Under normal conditions, a maximum coconut crop of 4,500 – 5,000 nuts could be obtained annually from an acre of land under coconut cultivation and the Model Coconut Gardens of the Board, except Mahayaya and Mundalama, on the overall could not at least reach that minimum level.
- Out of the 12 coconut estates maintained as Model Coconut Gardens, the average annual harvest per tree of the Pasikuda, Palai, Korai, Girtland and Kohombana had been less than 50 nuts.

- (d) The percentage of fallen coconuts of the Randeniya, Daisy Valley, Bopitiya, Nagansola, Girtland, Kohombana and Mahayaya had been at a very high range of 30 per cent to 38 per cent. As such the crop had not been harvested on time.

3:1:3 Seed Coconut Unit, Negombo

The Board had set targets for the development of coconut cultivation on 61,538 acres of land by the production of 04 million coconut seedlings in the year 2011 with the intention of developing coconut cultivation. An examination of the process of production of coconut seedlings revealed the following matters.

- (a) The Seed Coconut Unit at Negombo had been established for the purpose of supplying seed coconuts for the cultivation activities of the country. Even though the primary function of the Unit is the maintenance of a reserve of adequate number of mother trees and plush trees, action had not been taken after the year 2008 to increase the reserve of mother trees any plush trees.
- (b) As such, 3,152,728 seed coconut needed had not been selected from the mother trees or plush trees for the Programme for the production of 04 million coconut seedlings in the year 2011.

3:1:4 Kapruka Loan Investment Scheme

The long term objective of this loan investment scheme is to develop the cultivation from the subsistence level to the commercial level the commitment including on farm development by encouraging the coconut cultivation and develop the viability of coconut cultivation and increase its contribution to the economy. The loan of Rs.75,000 per acre granted at present being limited to Rs.1,000,000 per cultivation had deprived the accessibility to this Scheme to 28,198 cultivators over 13 acres per cultivator. As such the Board had not been able to achieve the above objective. Nevertheless, the Board of Directors had increased this limit to Rs.2 million as decided at the meeting held on 25 November 2011.

3:1:5 Coconut Development Training Programme

The following observations are made.

- (a) Even though 63 training programmes had been planned and conducted for the year under review with the intention of providing an effective training to the coconut cultivators and the intend staff of the Board by the Coconut Development Training Centre, no performance had been shown through the 10 programmes conducted by the Training Centre.
- (b) The progress of 03 training programmes conducted by the Regional Offices under the supervision of the Centre had been at a level less than 44 per cent. The Chairman informed that the planned programmes could be changed on the requirements of the Board and the policies of the Ministry.

3:2 Delayed Projects

According to the agreement, the computer package for the Kapruka Loan Investment Scheme of 6 modules valued at Rs.800,000 should have been designed and completed by the end of the year under review. Nevertheless, only 03 modules had been completed. An advance of Rs.400,000 had been paid in this connection by the end of the year under review.

3:3 Resources Supplied to other Institutions

The following observations are made.

- (a) Contrary to Section 9.4 of the Public Enterprises Circular No.PED/12 of 02 June 2003, five employees had been deployed in the service of the line Ministry and the Board had spent a sum of Rs.1,540,500 as their salaries and allowances.
- (b) Contrary to Section 8.3.9 of the above Circular, 02 motor vehicles of the Board had been released to the line Ministry and the Board had spent a sum of Rs.355,636 in that connection.

3:4 Cadre Administration

 Particulars of the approved and the actual cadre of the Board as at 31 December 2011 are given below.

Grade	Approved	Actual	Number of Vacancies
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Senior Level	48	22	26
Tertiary Level	84	50	34
Secondary Level	476	332	144
Primary Level	<u>151</u>	<u>121</u>	<u>30</u>
	759	525	234
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The following observations are made.

- (a) The Board did not have an approved Scheme of Recruitment and Promotions.
- (b) There were 234 vacancies even as at the end of the year under review, in the posts related to operating activities.

4. Systems and Controls

 Deficiencies observed during the course of audit were brought to the notices of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting.
- (b) Human Resources
- (c) Motor Vehicles Utilization.
- (d) Subsidies
- (e) Seed Coconuts
- (f) Training Courses